(Note) This is a translation of the official Japanese original for reference purposes only. In the event of any discrepancy between this translation and the official Japanese original, the Japanese original shall prevail. Please note that differences between this translation and those in the previous years may not necessarily mean that there have been changes in the official Japanese original, since the translation differences may stem only from a more accurate translation.

THE 94TH

ANNUAL GENERAL MEETING OF SHAREHOLDERS

THE INFORMATION DISCLOSED ON THE WEBSITE

2018 FISCAL YEAR (from April 1, 2018 to March 31, 2019)

Pursuant to the laws of Japan and the Article 16 of MHI’s Articles of Incorporation, this information is disclosed to the Shareholders on MHI’s website.
(https://www.mhi.com/finance/stock/meeting/)

STOCK ACQUISITION RIGHTS OF MHI

Stock Acquisition Rights Held by MHI's Officers at the End of FY2018

Name (Approval Date of Stock Acquisition Rights Offering)	Type and Number of Shares Received When Exercising Acquisition Rights	Issue Price of Stock Acquisition Rights	Exercise Price of the Stock Acquisition Rights	Period to Exercise Each Stock Acquisition Right	Stock Acquisition Rights Held by Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members)
#4 Stock Acquisition Rights (July 31, 2006)	100 shares of common stock	¥412,000	¥1,000	August 18, 2006 to June 28, 2036	46 (2 Directors)
#5 Stock Acquisition Rights (July 31, 2007)	100 shares of common stock	¥793,000	¥1,000	August 17, 2007 to August 16, 2037	33 (2 Directors)
#6 Stock Acquisition Rights (July 31, 2008)	100 shares of common stock	¥410,000	¥1,000	August 19, 2008 to August 18, 2038	94 (2 Directors)
#8 Stock Acquisition Rights (July 31, 2009)	100 shares of common stock	¥295,000	¥1,000	August 18, 2009 to August 17, 2039	130 (2 Directors)
#9 Stock Acquisition Rights (July 30, 2010)	100 shares of common stock	¥268,000	¥1,000	August 18, 2010 to August 17, 2040	143 (2 Directors)
#10 Stock Acquisition Rights (November 30, 2011)	100 shares of common stock	¥270,000	¥1,000	December 16, 2011 to December 15, 2041	164 (2 Directors)
#11 Stock Acquisition Rights (July 31, 2012)	100 shares of common stock	¥225,000	¥1,000	August 17, 2012 to August 16, 2042	196 (2 Directors)

Name (Approval Date of Stock Acquisition Rights Offering)	Type and Number of Shares Received When Exercising Acquisition Rights	Issue Price of Stock Acquisition Rights	Exercise Price of the Stock Acquisition Rights	Period to Exercise Each Stock Acquisition Right	Stock Acquisition Rights Held by Directors (excluding Directors who are not serving as Audit and Supervisory Committee Members)
#12 Stock Acquisition Rights (July 31, 2013)	100 shares of common stock	¥435,000	¥1,000	August 20, 2013 to August 19, 2043	122 (2 Directors)
#15 Stock Acquisition Rights (July 31, 2014)	100 shares of common stock	¥564,000	¥1,000	August 19, 2014 to August 18, 2044	194 (3 Directors)

(Notes)

1. MHI does not grant stock acquisition rights to outside directors or Directors who are serving as Audit and Supervisory Committee Members.
2. The issue prices of stock acquisition rights are the fair values of the rights offering (determined according to the Black-Scholes Options Pricing Model) as of the approval date of these rights offering.

ESTABLISHING A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

RESOLUTIONS OF THE BOARD OF DIRECTORS FOR THE ESTABLISHMENT OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

In accordance with the applicable laws and ordinances, MHI has prepared a system to ensure appropriate operations by resolution of the Board of Directors. We promote fair and solid management. The content of the resolution is as follows:

1. Matters regarding Directors and employees who are assigned to support duties of the Audit and Supervisory Committee
   For the purpose of supporting the duties of the Audit and Supervisory Committee, MHI shall establish the Audit and Supervisory Committee's Office with dedicated employees to assist the smooth performance of its duties. MHI will not appoint any Director who is assigned to support duties of the Audit and Supervisory Committee.

2. Matters regarding independence of employees in 1. above from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and to ensure the effectiveness of instructions by the Audit and Supervisory Committee to employees
   The staff of the Audit and Supervisory Committee's Office shall be assigned to said office on an exclusive basis. They shall not receive any instructions or orders from Directors (excluding Directors who are serving as Audit and Supervisory Committee Members) and shall obey the instructions and orders of the Audit and Supervisory Committee. Any personnel transfers and evaluation of said staff shall be subject to the consent of the Audit and Supervisory Committee to ensure the independence of them from the departments engaging in business execution and the effectiveness of instructions by the Audit and Supervisory Committee to them.

3. System for reporting to the Audit and Supervisory Committee by Directors and employees and other systems for reporting to the Audit and Supervisory Committee
   (1) Directors, etc. of MHI shall implement arrangements concerning reporting to and communication with the Audit and Supervisory Committee (or the Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee; the same shall apply hereinafter) including reporting matters concerning MHI Group companies. In addition, Directors, etc. of MHI shall ensure adequate mutual understanding through regular exchange of opinions and make reports upon request of the Audit and Supervisory Committee.
   (2) Directors, etc. of MHI Group companies shall carry out reporting to and communication with the Audit and Supervisory Committee in accordance with the operational procedures prescribed in Item 12 and make reports upon request of the Audit and Supervisory Committee.
   (3) The department in charge of the whistleblower system shall report the matters reported to it through the whistleblower system and other compliance-related matters reported to it to the Audit and Supervisory Committee.

4. System to ensure that the person who made a report in 3. above shall not be subject to any unfavorable treatment for reason of having made such report
   It shall be prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule shall be internally informed and appropriately operated.

5. Matters concerning the policy on the treatment of expenses or debts arising in the course of the execution of duties of Audit and Supervisory Committee Members including the procedure for advance payment and reimbursement of expenses arising in the course of the execution of said duties
   A certain amount of annual budget shall be secured for the payment of expenses arising in the course of the execution of duties of Audit and Supervisory Committee Members based on the request of the Audit and Supervisory Committee. If the payment of other expenses is requested by an Audit and Supervisory Committee Member, it shall be handled appropriately pursuant to Article 399-2, Paragraph 4 of the Companies Act.

6. Other systems to ensure effectiveness of audits by the Audit and Supervisory Committee
   Consideration to ensure the effectiveness of audits shall be given to any exchange of opinions with internal departments concerned, financial auditor, etc., information gathering and research that are conducted by the Audit and Supervisory Committee.

7. System to ensure that the Directors' execution of their duties is in compliance with laws and ordinances and MHI's Articles of Incorporation
   (1) Directors shall lead by example in realizing MHI's fundamental principle of fair and honest business activities that comply with all laws and ordinances and emphasize social norms and business ethics.
   (2) The Board of Directors shall fully discuss all matters raised and reported by Directors and oversight MHI's operations from the perspectives of sound and efficient management. The views of outside officers shall be employed to introduce greater objectivity and enhance the effectiveness of oversight.

8. System to store and manage information related to the Directors' execution of their duties
   (1) Principle matters related to the management of documents shall be specified in company regulations, and information related to the Directors' execution of their duties shall be appropriately recorded, stored and managed.
   (2) Directors (including Audit and Supervisory Committee Members) shall be given access to such information at any time where it is deemed necessary to supervise and audit actions by Directors.

9. Regulations and other systems to manage risk of loss
   (1) Systems designed to manage each type of risk shall be implemented and responsibilities shall be clearly defined to ensure the appropriate management of risk.
   (2) Risk shall be regularly evaluated and analyzed and necessary avoidance or mitigating measures taken; internal audits shall monitor the effectiveness and appropriateness of these measures and reports shall be regularly submitted to the Board of Directors and Audit and Supervisory Committee.
   (3) To prepare for cases where significant risk may materialize, MHI shall ensure the means to immediately communicate information to senior management to respond promptly and accurately to emergency situations; individuals responsible for crisis management shall also be appointed in each business division.

10. System to ensure that Directors execute their duties efficiently
   (1) The Board of Directors shall formulate business plans and establish companywide management policy and objectives; business execution, led by the President, shall be conducted with the aim of achieving these objectives.
   (2) MHI's organizational structure, division of duties, and lines of authority shall be specified in company regulations to ensure steps to achieve management objectives are conducted efficiently.

11. System to ensure that the duties and actions of employees comply with laws and ordinances and MHI's Articles of Incorporation
   (1) MHI shall create a framework comprising the Compliance Committee and other bodies to raise awareness of compliance among employees by formulating a code of conduct, implementing various training programs and taking other steps.
   (2) MHI shall establish a whistleblower system and other mechanisms to enhance the effectiveness of compliance, conduct internal audits of the compliance framework, and report the results to the Board of Directors and Audit and Supervisory Committee.

12. System to ensure appropriate business activities of MHI Group
   (1) Each MHI Group company shall operate autonomously as an independent enterprise and its president shall be responsible for the management of the company. At the same time, in order to ensure that the MHI Group as a whole is operated soundly and efficiently and in a manner to contribute to the improvement of its consolidated financial performance, MHI shall support and provide guidance to MHI Group companies by establishing the division of management responsibilities between MHI and Group companies and operational procedures stipulating, among others, matters that should be requested or reported by Group companies to MHI.
   (2) In order to ensure that the MHI Group as a whole is operated appropriately and various risks existing within the MHI Group as a whole are managed appropriately, various measures concerning compliance and risk management shall be promoted on a group-wide basis and each company shall put in place an internal control system that is appropriate for its size and characteristics. The operating status of these internal control systems shall be audited by the department of MHI responsible for their management.
   (3) MHI and MHI group companies shall ensure the accuracy of their respective financial information, and arrange the organization, company regulations and other matters required for the preparation and disclosure of reliable financial reports.

SUMMARY OF THE OPERATION STATUS OF A FRAMEWORK FOR ENSURING APPROPRIATE BUSINESS CONDUCT

The operation status of a framework for ensuring appropriate business conduct for FY2018 is as summarized below.

1. Initiatives to ensure the effectiveness of audits by the Audit and Supervisory Committee

- Based on company regulations, MHI has established the Audit and Supervisory Committee's Office with the staff assigned on an exclusive basis to support the audit activities of the Audit and Supervisory Committee. It is also prescribed in the same company regulations that the independence of the exclusively assigned staff from the departments engaging in business execution shall be secured.
- A budget necessary for audit activities is appropriately secured based on the request of the Audit and Supervisory Committee and expenses, etc. are paid from the budget.
- MHI responds appropriately to any requests of Full-time Audit and Supervisory Committee Members received in advance for the attendance at an important meeting and the provision of documents. In addition, any projects that are important from the audit perspective, etc. are reported to Full-time Audit and Supervisory Committee Members or the Audit and Supervisory Committee on an individual basis.
- On a regular basis, information is shared among Full-time Audit and Supervisory Committee Members, officers of execution of business department and the internal auditing department. In addition, the Audit and Supervisory Committee regularly exchanges opinions with financial auditor.

- All matters that have been reported through the whistleblower system are reported to Full-time Audit and Supervisory Committee Members. It is prescribed in company regulations that a person who made a report through the whistleblower system shall not be treated disadvantageously in any way on the grounds of such report and this rule is internally informed and strictly enforced.

2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes

   - As the initiatives to ensure compliance, MHI established the "MHI Group Global Code of Conduct," which applies to all officers and employees of the MHI Group both in Japan and overseas. MHI also strives to conduct several activities including regular Compliance Committee meetings, the establishment of various company regulations, the provision of education to promote legal compliance, and internal audits that take into consideration the issues of each department subject to audit.
   - In FY2018, 14 meetings of the Board of Directors were held to thoroughly deliberate on each agenda. In addition, the Nomination and Remuneration Meetings consisting only of outside directors and the President and CEO and the meetings consisting only of outside directors were held to hear broadly the opinions of outside directors particularly on matters related to corporate governance as the initiatives to increase the soundness and transparency of the management of MHI.

3. Initiatives concerning the preservation and management of information about the execution of duties by Directors

   - The minutes of the Board of Directors and other information about the execution of duties by Directors are appropriately recorded in accordance with company regulations and managed in a manner to make them available for inspection any time upon request of a Director. In addition, appropriate measures have been taken to prevent information leakage, loss, etc. and checks on these measures are regularly conducted.

4. Initiatives concerning the management of risk of loss

   - MHI practices portfolio management based on the strategic business assessment system to allocate management resources as appropriate to the business.
   - In addition to conducting initial screening and monitoring of project negotiations, the dedicated organization for risk management concerning the businesses addresses major risks that are identified, and works with related departments to take appropriate action towards problem resolution.
   - MHI holds business risk management committee meetings based on the rules governing business risk management systems and processes, and checks and discusses the framework of the business risk management, progress of measures to strengthen the business risk management, and so on.

5. Initiatives to ensure the efficiency of the execution of duties by Directors

   - Business plans, which set forth group-wide management policies and targets, are developed by the Board of Directors. Under the business execution framework headed by President and CEO, MHI strives to achieve the targets set forth in the plans and the progress status is regularly reported at the meetings of the Board of Directors. In FY2018, the Board of Directors held discussions related to the 2018 Medium-Term Business Plan and global group management.
   - Part of decisions on important business execution has been delegated to President and CEO pursuant to the provisions of the Articles of Incorporation. In addition, criteria for matters that should be

deliberated by the Board of Directors have been prescribed in the Bylaws of the Board of Directors to improve the efficiency and agility of the execution of duties by Directors.

6. Initiatives to ensure appropriate business conduct of an enterprise group

- Company regulations on the system to define the management responsibilities for MHI Group companies and other relevant matters have been established and important management matters within Group companies are reported to MHI.
- Each MHI Group company is implementing initiatives that are largely similar to those described in “2. Initiatives to ensure legal compliance in the execution of duties by Directors and employees and the appropriateness of decision-making processes” and “4. Initiatives concerning the management of risk of loss” above. In addition, internal audits are conducted by each Group company and the status of these audits is also monitored by the internal auditing department of MHI.

(End)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of Apr. 1 ,2018	**265,608**	**185,937**	**(4,081)**	**830,057**	**118,015**	**1,395,537**	**298,327**	**1,693,865**
Profit				101,354		101,354	27,116	128,471
Other comprehensive income (loss)					(24,729)	(24,729)	(524)	(25,254)
Comprehensive income (loss)				**101,354**	**(24,729)**	**76,624**	**26,592**	**103,216**
Transfer to retained earnings				(3,712)	3,712	-		-
Purchase of treasury shares			(2,116)			(2,116)		(2,116)
Disposal of treasury shares		22	1			24		24
Dividends				(41,974)		(41,974)	(6,348)	(48,323)
Other		(657)	623	2,816		2,782	(628)	2,154
Total transactions with owners	**-**	**(635)**	**(1,491)**	**(39,157)**	**-**	**(41,284)**	**(6,976)**	**(48,261)**
Balance as of Mar. 31 ,2019	**265,608**	**185,302**	**(5,572)**	**888,541**	**96,998**	**1,430,878**	**317,943**	**1,748,821**

(REFERENCE)
CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Yen)

	FY2018 (From Apr. 1, 2018 to Mar. 31, 2019)	FY2017 (From Apr. 1, 2018 to Mar. 31, 2019)
Cash flows from operating activities:		
Profit before income taxes	182,624	39,232
Depreciation, amortization and impairment loss	198,761	279,151
Finance income and costs	5,824	7,286
Share of profit of investments accounted for using the equity method	(10,937)	(2,670)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(41,218)	(1,693)
Loss on disposal of property, plant and equipment, and intangible assets	6,519	7,022
Decrease (increase) in trade receivables	34,863	(9,135)
Decrease (increase) in contract assets	115,185	4,066
Decrease (increase) in inventories and advanced payments	17,229	99,260
Increase (decrease) in trade payables	51,014	64,385
Increase (decrease) in contract liabilities	(33,589)	79,649
Increase (decrease) in provisions	46,578	(48,302)
Increase (decrease) in retirement benefit liabilities	2,162	11,033
Decrease (increase) in indemnification asset for South African projects	(110,615)	(40,410)
Others	(15,480)	(57,778)
Subtotal	448,924	431,098
Interest received	5,149	4,032
Dividends received	15,232	17,438
Interest paid	(6,664)	(8,456)
Income taxes paid	(57,718)	(38,360)
Net cash provided by (used in) operating activities	**404,924**	**405,752**
Cash flows from investing activities:		
Purchases of property, plant and equipment and intangible assets	(224,263)	(267,103)
Proceeds from sales of property, plant and equipment and intangible assets	43,509	8,231
Purchases of investments (including investments accounted for using the equity method)	(8,547)	(105,442)
Proceeds from sales and redemption of investments (including investments accounted for using the equity method)	26,975	114,089
Disbursement of loans	(5,088)	(1,993)
Collection of loans	3,167	15,898
Others	2,377	(1,872)
Net cash provided by (used in) investing activities	**(161,869)**	**(238,193)**
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(60,613)	25,446
Proceeds from long-term borrowings	7,039	3,859
Repayment of long-term borrowings	(68,439)	(96,841)
Proceeds from issuance of bonds	-	20,000
Payment for redemption of bonds	(30,000)	(60,000)
Proceeds from issuance of stock to non-controlling interests	1,749	519
Dividends paid to owners of the parent	(41,888)	(40,206)
Dividends paid to non-controlling interests	(7,781)	(6,128)
Proceeds from factoring agreements	169,271	209,031
Repayment of liabilities under factoring agreements	(218,519)	(166,146)
Others	(6,394)	(1,868)
Net cash provided by (used in) financing activities	**(255,577)**	**(112,334)**
Effect of exchange rate changes on cash and cash equivalents	**(3,478)**	**1,607**
Net increase (decrease) in cash and cash equivalents	**(16,001)**	**56,832**
Cash and cash equivalents at beginning of the year	**299,237**	**242,404**
Cash and cash equivalents at end of the year	**283,235**	**299,237**

Notes to the Consolidated Financial Statements
Basis of Preparation of Consolidated Financial Statements

1. Accounting standard applied to consolidated financial statements
   The accompanying consolidated financial statements of the Mitsubishi Heavy Industries Group (the "Group") which consists of Mitsubishi Heavy Industries, Ltd. ("MHI") and its consolidated subsidiaries ("Subsidiaries"), have been prepared in accordance with Rules of Corporate Accounting Article 120 (1), based on International Financial Reporting Standards (IFRS). Some disclosures articles required under IFRS have been omitted as stipulated in the latter part of Article 120 (1).

2. Scope of consolidation
   Number of consolidated subsidiaries: 235
   Principal consolidated subsidiaries are described in "OVERVIEW OF MHI GROUP 9. OUTLINES OF MAIN SUBSIDIARIES" of the business report.

3. Application of the equity method
   Number of affiliated companies accounted for using the equity method 34
   Principal affiliated companies accounted for using the equity method:
   SHINRYO CORPORATION,
   FRAMATOME S.A.S.,
   MHI VESTAS OFFSHORE WIND A/S

   The Group classified MITSUBISHI MAHINDRA AGRICULTURAL MACHINERY CO., LTD as an affiliated company accounted for using the equity method even though MHI owns the majority of voting rights considering the percentage of holdings (including preferred stocks) and the contents of shareholders' agreement.

   Additionally, The Group classified FRAMATOME S.A.S as an affiliated company accounted for using the equity method even though MHI owns less than 20% of the voting rights as significant influence over the company are held considering the member of officers of FRAMATOME S.A.S.

4. Accounting Policies
   (1) Financial instruments
   Financial instruments are recognized on the date when the Group becomes a contracting party to the financial instruments. Regular way purchases of financial assets are recognized on the transaction date.

   ① Non-derivative financial assets
   Non-derivative financial assets which are classified as debt instruments are measured at amortized cost since all these instruments satisfy both of the following conditions:
   - The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
   - The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method.
   Equity instruments are measured at fair value.
   Non-derivative financial assets are measured at fair value plus transaction costs at initial recognition, unless the assets are measured at fair value through profit or loss. However, trade receivables that do not contain a significant financing component are initially measured at the transaction price.
   For financial assets measured at fair value, except for equity instruments held for trading that must be measured at fair value through profit or loss, the Group determines, for each equity instrument, whether the instrument is measured at fair value through profit or loss or it irrevocably designates the instrument as measured at fair value through other comprehensive income.
   For assets designated as financial assets at FVTOCI (Fair Value Through Other Comprehensive Income) at initial recognition, any changes in fair value after initial recognition are recognized as other comprehensive income. If a financial asset at FVTOCI is derecognized, or the fair value decreases significantly, the amount accumulated in other components of equity is transferred to retained earnings. Dividends from financial assets at FVTOCI are recognized as profit or loss in principle.
   When the contractual right to cash flows from a financial asset expires or the Group transfers a financial asset and substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized.

②Non-derivative financial liabilities

Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are measured at fair value less transaction costs at initial recognition.

After initial recognition, such liabilities are measured at amortized cost using the effective interest method.

When the obligation specified in the contract for a non-derivative financial liability is discharged, cancelled or expires, the non-derivative financial liability is derecognized.

③Derivative transactions and hedge accounting

The Group uses derivative instruments including forward exchange contracts, currency swap contracts and interest rate swap contracts to hedge foreign currency risks and interest rate risks.

Derivative transactions are initially recognized at fair value on the date when the Group becomes party to the contract, and related transaction costs are expensed as incurred. After the initial recognition, they are measured at fair value with changes in the fair value recognized in profit or loss, unless they are designated as the hedging instrument in a cash flow hedge.

When applying hedge accounting, the Group formally designates and documents the hedging relationship and the risk management objective and strategy at the inception of a hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the methods of assessing hedge effectiveness. The Group assesses whether the hedging relationship is effective prospectively on an ongoing basis.

The Group applies cash flow hedges to derivative transactions related to foreign exchange and interest rates that meet the requirements for hedge accounting.

When a derivative transaction is designated as the hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized as other comprehensive income and the ineffectiveness is recognized immediately as profit or loss.

When applying a cash flow hedge to a currency swap contract, the Group designates the portion other than the currency basis spread as the hedging instrument and treats the currency basis spread as costs of hedging, and recognized changes in its fair value in other components of equity through other comprehensive income.

The cash flow hedge accumulated in other components of equity is transferred to profit or loss in the same period during which cash flows of the hedged item affect profit or loss. However, when the hedged item is associated with acquisition of a non-financial asset, such an amount is accounted for as an adjustment to the initial acquisition cost of the non-financial asset.

When the Group recognizes the costs of hedging for a derivative transaction entered into in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument could affect profit or loss.

When a forecast transaction is no longer highly probable to occur, hedge accounting is discontinued. When the forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is transferred to profit or loss.

④Impairment of financial assets

For financial assets measured at amortized cost, the Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. If the credit risk has increased significantly, a loss allowance at an amount equal to lifetime expected credit losses is recognized. If no significant increase in the credit risk is identified, a loss allowance at an amount equal to 12 month expected credit losses is recognized.

However, for trade receivables and contract assets, loss allowance for doubtful accounts is recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since the initial recognition.

Objective evidence indicating a significant increase in credit risk includes default or delinquency by a debtor, extension of the due date provided by the Group for a debtor on terms that the Group would not implement under other circumstances, and indications that a debtor or issuer will enter bankruptcy. Provision of loss allowance is recognized in profit or loss.

(2) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is the amount including costs of purchase, costs of conversion and all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell.

The inventory valuation method is as follows:
Merchandise and finished goods: principally weighted average method
Work in process: principally specific identification method
Raw materials and supplies: principally weighted average method

(3) Property, plant and equipment

Property, plant and equipment are presented at cost less accumulated depreciation and impairment losses, using the cost model. Cost includes any costs directly attributable to acquisition of assets, dismantling costs, removal costs, and restoration costs for the site where the property, plant equipment have been located.

Except for assets that are not depreciated, such as land, property, plant and equipment are depreciated using the straight-line method over the estimated useful lives.

The estimated useful lives of major property, plant and equipment are as follows:
Buildings and structures: 2 to 60 years
Machinery and vehicles: 2 to 20 years
Tools, furniture and fixtures: 2 to 20 years

Leased assets are depreciated over the shorter of the lease term or the useful life, unless there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

The depreciation method, estimated useful lives and residual value are reviewed at the end of the fiscal year and revised where necessary.

(4) Intangible assets

Intangible assets are presented at cost less accumulated amortization and impairment losses, using the cost model. Intangible assets are amortized over the estimated useful lives using the straight-line method. The estimated useful lives of major intangible assets are as follows:
Software: 3 to 10 years
Technologies recognized through business combination: 7 to 20 years
Customer relationship recognized through business combination: 2 to 13 years
Other: 3 to 15 years

Intangible assets with indefinite useful lives are presented at cost less accumulated impairment losses.

Expenses incurred with respect to development activities of the Group are capitalized only when it can be proved that the expenses satisfy all the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenses that do not satisfy the above requirements for capitalization and expenditures on research activities are expensed as incurred. The amortization method, estimated useful lives and residual value are reviewed at the end of the fiscal year and revised where necessary.

(5) Leases

Leases in which substantially all the risks and rewards of ownership of the asset are transferred to the lessee under the contract are classified as finance leases. Leases other than finance leases are classified as operating leases.

(i) Leases as lessor

With regard to the amount received from lessees under finance leases, the net investment in leases is recorded as “trade and other receivables,” and unearned finance income is allocated to the net investment at a constant rate over the lease term and recognized in the fiscal year to which the profit is attributed. Lease revenues under operating leases are recognized equally over the lease term.

(ii) Leases as lessee

Leased assets and lease liabilities for finance leases are initially recognized at the lower of the present value of minimum lease payments or the fair value at the inception of the lease. After initial recognition, they are accounted for in accordance with the accounting policy applied to the asset. Lease payments are allocated to the balance of lease liabilities at a constant rate and accounted for as finance costs and a reduction in lease liabilities. Lease payments under operating leases are recorded as expenses on a straight-line method over the lease term.

(6) Impairment of non-financial assets

With regard to property, plant and equipment and intangible assets, the Group determines, at the end of the reporting period, whether or not there is any indication of impairment. If any such indication exists, the Group performs an impairment test by estimating the recoverable amount of the asset. With regard to goodwill and intangible assets with indefinite useful lives, the Group periodically conducts an impairment test once a year or whenever there is any indication of impairment.

The recoverable amount is the higher of the fair value less costs of disposal of the asset or cash-generating unit or its value in use. Value in use is determined as the present value of future cash flows that are expected to arise from the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If the recoverable amount of an asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount.

For non-financial assets for which an impairment loss was recognized, except for goodwill, the Group reassesses the possibility that the impairment loss will be reversed at the end of the reporting period.

(7) Provisions

The Group recognizes a provision when there is a present legal or constructive obligation arising from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. In doing so, if the period up to the settlement of the obligation is expected to be a long term and the time value of money is material, a provision is measured based on the present value of expenditure expected at the time of settlement.

If some or all of expenditure required for the Group to settle the provisions is expected to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain that the Group will receive the reimbursement.

If provisions and external reimbursements are recognized in the same reporting period, these amounts are presented on a net basis in the consolidated statement of profit or loss.

(8) Post-employment benefits

The Group has adopted lump-sum payment on retirement and pension plans as post-employment benefit plans for employees. These plans are roughly classified as defined benefit plans or defined contribution plans. Accounting policies for respective plans are as follows.

(i) Defined benefit plans

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year. The amount used to settle the obligations less fair value of plan assets is recognized as defined benefit liability (asset). The asset ceiling in this calculation is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of defined benefit obligations is calculated using the projected unit credit method, and the discount rate is determined by reference to the market yield on high quality corporate bonds at the end of the fiscal year corresponding to the estimated timing for future benefit payments.

Service cost and net interest cost on net defined benefit liability (asset) are recognized as profit or loss, and remeasurement of defined benefit liability (asset) is recognized as other comprehensive income and immediately transferred to retained earnings.

(ii)Defined contribution plans

Contributions for retirement benefits under defined contribution plans are recognized as expenses in profit or loss as the related service is provided.

(9) Business combinations

Business combinations are accounted for by applying the acquisition method. Transaction costs directly attributable to acquisition are accounted for as expenses when they are incurred. Identifiable assets and liabilities of the acquired entity are recognized at their fair value on the acquisition date.

Goodwill is measured at the fair value of consideration for acquisition of the acquired entity measured on the acquisition date less the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration for acquisition is lower than the net recognized amount of assets acquired and liabilities assumed, the difference is recognized as profit. In the business combination, when consideration for the business combination transferred from the Group includes assets or liabilities arising from a contingent consideration arrangement, the contingent consideration is measured at fair value on the acquisition date and included as part of the above consideration for acquisition.

For the measurement of non-controlling interests, the method based on the proportionate share of non-controlling interests in the acquired entity's identifiable net assets (purchased goodwill approach) is employed principally.

(10) Foreign currency translation

Foreign currency transactions are translated into the functional currencies of MHI Group companies at the exchange rates at the dates of the transactions or an approximation of the rate.
Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the exchange rates at the end of the reporting period.
Exchange differences arising from translation or settlement are recognized as profit or loss. On the other hand, exchange differences arising from financial assets at FVTOCI are recognized as other comprehensive income.
Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period, whereas revenue and expenses are translated using the average exchange rate during the period unless there is significant fluctuation in the exchange rates.
Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income. At the time of disposal of a foreign operation, cumulative exchange differences recognized in other comprehensive income are transferred to profit or loss.

(11) Revenue

The Group recognizes revenue at an amount that reflects consideration to which the Group expects to be entitled in exchange for transfer of goods or services to customers based on the following five-step approach, except for interest and dividend income, etc. which are accounted for under IFRS 9.
Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
Revenue is recognized to the extent that an inflow of economic benefits to the Group is probable and its amount can be measured reliably, regardless of the timing of receiving the payment, and measured at fair value of consideration received or receivable after taxes in light of contractual payment terms.
Of incremental costs of obtaining contracts with customers and fulfillment costs directly related to contracts, the portion that is expected to be recoverable is recognized as assets. Incremental costs of obtaining contracts with customers are costs that would not be incurred if the contract is not obtained.
Requirements for revenue recognition of the Group are as follows.

① Sale of products

With regard to revenue from sale of goods, performance obligations are principally considered to be fulfilled at the time of delivery of the goods over which customers obtain control, and usually recognized at the time of delivery of goods. Revenue from sale of goods is measured at an amount of consideration promised in the contract with the customer less sales returns, discounts, rebates, and taxes collected on behalf of third parties and others.

② Rendering of services and construction contracts

With regard to contracts for rendering of services or construction contracts under which the control of goods or services promised in the contracts is transferred to customers over the contract term, revenue is recognized by measuring progress toward the complete satisfaction of the performance obligation. Progress is measured using a method that depicts satisfaction of the performance obligation, and is principally estimated based on the proportion of costs incurred to fulfill the performance obligation against the total expected costs of fulfilling the performance obligation.

(12) Profit from business activities

"Profit from business activities" on the consolidated statement of profit or loss is presented as a measure that enables continuous comparison and assessment of the Group's business performance. "Profit from business activities" is calculated by subtracting "cost of sales", "selling, general and administrative expenses" and "other expenses" from "revenue" and adding "share of profit of investments accounted for using the equity method" and "other income" to the resulting amount. "Other income" and "other expenses" consist of dividend income, gains or losses on the sales of fixed assets, impairment losses on fixed assets, and others. Dividend income from shares and investments in capital held by the Group, where the investment is held by the Group over the long term due to business operation requirements, such as collaborating with other companies, is included in profit from business activities as the results of the business. Dividend income is recognized when the Group's right to receive the dividend income is established.

(13) Finance income and costs

"Finance income" and "finance costs" consist of interest income, interest expenses, foreign exchange gains or losses, gains or losses on derivatives (except for gains or losses recognized in other comprehensive income) and others. Interest income and expenses are recognized using the effective interest method when they arise.

(14) Accounting treatment of consumption tax

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of such taxes.

Changes in estimates

Changes in the depreciation method of property, plant and equipment

Previously, MHI and its domestic consolidated subsidiaries principally applied the declining-balance method of depreciation for property, plant and equipment (except for buildings, excluding the equipment within). Effective from April 1, 2018, MHI and its consolidated subsidiaries adopted the straight-line method of depreciation. MHI and its domestic consolidated subsidiaries have assessed that the straight-line method of depreciation more accurately reflects the way in which economic benefits are derived from the Group's property, plant and equipment given the stability of operating conditions and the efforts made to improve the business structure in recent years. Due to this change, cost of sales decreased by 15,945 million yen and selling, general and administrative expenses decreased by 2,746 million yen compared with the amounts calculated using the previous method. Consequently, profit from business activities and profit before income taxes each increased by 18,692 million yen.

Notes to the Consolidated Statement of Financial Position

1. Pledged assets and related liabilities

   The amounts of borrowings for which collateral was pledged when the loan agreements were entered into as of the date of March 31, 2019, was ¥1,592 million. The breakdown of assets pledged as collateral is as follows.

   Collateral right is executed in case of breach of financial covenants or default on loan agreements.

Property, plant and equipment	¥	878 million
Inventories	¥	1,231 million
Total	¥	2,110 million

   The Group converts trade receivables and other receivables into cash pursuant to receivable transfer contracts as a measure of financing. The amounts of trade receivables and contract assets transferred without qualifying for derecognition as of March 31, 2019, were ¥13,816 million, and ¥117,428 million, respectively. Liabilities under factoring agreements (Bonds, borrowings and other financial liabilities) recognized for current and non-current liabilities were ¥99,317 million and ¥41,087 million, respectively.

2. Provision for losses which were directly deducted from the assets.

Trade and other receivables	¥	7,701 million
Other financial assets（current）	¥	649 million
Contract assets	¥	504 million
Other financial assets（non-current）	¥	17,474 million

3. Accumulated depreciation of property, plant and equipment ¥ 2,106,746 million

   The above accumulated depreciation of property, plant and equipment amounts are included in accumulated impairment loss.

4. Guarantees

   The Group mainly guarantees employees' loan from the financial institutions. The totals of guarantees were ¥34,249 million at the end of fiscal year ended March 31, 2019.

5. Contingent Liabilities

   Contingent liabilities relating to change in MRJ delivery timing

MHI announced in January 2017 that the scheduled delivery timing of the first Mitsubishi Regional Jet (MRJ) would be changed from mid-2018 to mid-2020, and has continued consultations on the delivery timing with existing customers.

Going forward, it is possible that additional obligations will arise depending on the results of consultations with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.

6. Indemnification Asset for South African Projects

On February 1, 2014 (hereinafter referred to as the "Effective Date of Company Split"), MHI and Hitachi, Ltd. ("Hitachi") integrated their businesses centered on thermal power generation systems into Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), a consolidated subsidiary of MHI, through a spin-off in the form of an absorption-type company split.

As part of this business integration, the assets and liabilities, contracts with customers and others, and rights and obligations thereunder, regarding the boiler construction projects for Medupi and Kusile Power Stations (the "South African Projects"), for which Hitachi Power Africa Proprietary Limited ("HPA"), a consolidated subsidiary of Hitachi in the Republic of South Africa, and other companies received orders in 2007, were transferred (the "South African Asset Transfer") from HPA to Mitsubishi Hitachi Power Systems Africa Proprietary Limited ("MHPS-Africa"), a consolidated subsidiary of MHI.

At the time the contract for the South African Asset Transfer was concluded, MHI was aware that major losses were probable and asserted this to Hitachi. Therefore, it was agreed in the contract that Hitachi and HPA would be responsible for contingent liabilities arising from events that occurred prior to the Effective Date of Company Split as well as for any claims that had already accrued as of said date, while MHPS and MHPS-Africa would be responsible for the execution of the projects on and after the Effective Date of Company Split. On that basis, it was also agreed in the contract to first retrospectively refine the project schedule and the cash flow estimates, as of the Effective Date of Company Split, then to determine the definitive price of the South African Asset Transfer based on them, and then to adjust the difference between the tentative price and the definitive price.

On March 31, 2016, MHI demanded that Hitachi pay ZAR 48,200 million (equivalent to approximately 379.0 billion yen when converted at a rate of 7.87 yen to 1 ZAR) to MHPS-Africa as part of the difference between the tentative price and the definitive price (price adjustment and other payments) according to the contract (the "Part of Demands for Payment on March 2016"). In the Part of Demands for Payment on March 2016, MHI explicitly stated to Hitachi that the amount that Hitachi and HPA were obliged to pay under the contract for the South African Asset Transfer significantly exceeded ZAR 48,200 million and that MHI reserved the right to make additional demands.

Then, on January 31, 2017, MHI demanded that Hitachi pay ZAR 89,700 million (equivalent to approximately 763.4 billion yen when converted at a rate of 8.51 yen to 1 ZAR) as the price adjustment and other payments (the "Demands for Payment on January 2017"), which included the aforementioned Part of Demands for Payment on March 2016. In the Demands for Payment on January 2017, MHI retrospectively refined the project schedule and the cash flow estimates, as of the Effective Date of Company Split in accordance with the contract for the South African Asset Transfer, and thereby demonstrated that the amount that Hitachi and HPA were obliged to pay significantly exceeded ZAR 48,200 million as stated in the Part of Demands for Payment on March 2016.

However, given that MHI and Hitachi had been unable to reach agreement as of July 31, 2017, MHI decided that it had become necessary to submit a request for arbitration to the Japan Commercial Arbitration Association as stated in the above contract, and submitted a request for arbitration which states demands against Hitachi for the payment of ZAR 90,779 million (equivalent to approximately 774.3 billion yen when converted at a rate of 8.53 yen to 1 ZAR) as the price adjustment and other payments relating to the South African Projects.

Given that it was already expected as at the Effective Date of Company Split that the South African Projects would incur a loss, MHPS-Africa etc. have the right to receive the price adjustment and other payments from Hitachi or HPA in the amount calculated under the above contract. Furthermore, there is a discrepancy between the amount of anticipated losses included in the assets and liabilities regarding HPA's South African Asset Transfer immediately before the Effective Date of Company Split (January 31, 2014) and the amount of the losses that MHI believes were already expected at the time. Presently, there is yet to be agreed on the assets and liabilities.

In the fiscal year ended March 31, 2019, the Group recorded part of the claims against Hitachi as described above based on the measurement of each period's expected project loss as "Indemnification Asset for South African Projects". The recorded amount in this account is a portion of the demand in the aforementioned request for arbitration.

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of the shares issued

Common stock 337,364,781 shares

2. Cash dividends

(1)Cash dividends paid

Resolution	Type of shares	Total cash dividends paid	Cash dividends per share	Record date	Effective date	Resource of dividends
Jun 21, 2018 Annual General Meeting of Shareholders	Common Stock	¥ 20,190million	¥ 60	Mar 31, 2018	Jun 22, 2018	Retained earnings
Oct 31, 2018 Board of Directors	Common Stock	¥ 21,873million	¥ 65	Sep 30, 2018	Dec 5, 2018	Retained earnings

Note1: Total cash dividends paid in accordance with the resolution by Ordinary General Meeting of Shareholders held on Jun 21, 2018 include 30 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

Note2: Total cash dividends paid in accordance with the resolution by the board of directors held on October 31, 2018 include 59 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

(2) Dividends of which the record date is within this fiscal year which take effect in the next fiscal year

Resolution	Type of shares	Total cash dividends to be paid	Cash dividends per share	Record date	Effective date	Resource of dividends
Jun 27, 2019 Annual General Meeting of Shareholders	Common stock	¥ 21,876 million	¥ 65	Mar 31, 2019	Jun 28, 2019	Retained earnings

Note : Total cash dividends to be paid in accordance with the resolution by the ordinary general meeting of shareholders to be held on June 27, 2019 include 55 million yen of cash dividends for the stocks held by the Stock Grant ESOP Trust and the Officer Remuneration BIP Trust I&II.

3. Type and number of shares subject to the share subscription rights

Common stock 485,400 shares

Notes on Financial Instruments

1. Condition of financial instruments

The Group is exposed to credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk and Share price risk) in the course of operating activities and conducts risk management in accordance with certain policy to avoid or reduce these risks.

(1) Credit risk management

The Group's "Trade and other receivables," "Contract assets," and financial assets measured at amortized cost under "Other financial assets" and financial guarantee contracts are exposed to credit risk of the customers.

The Group regularly manages due dates and balances of receivables from each customer, and assesses their credit status. The Group has accepted collateral with respect to specific transactions with customers to deal with them for credit enhancement purpose. The Group also tries to reduce the credit risk by utilizing letter of credit, trade insurance, etc. The Group has no excessive credit risk concentrated on a single customer.

The credit risks related to deposits and derivative transactions that the Group has entered into are limited because all transactions entered into are with highly creditworthy financial institutions.

Loss allowances for "Trade and other receivables" and "Contract assets" presented in the Consolidated statement of financial position are always measured at an amount equal to lifetime expected credit losses (Simplified approach).

(2) Liquidity risk management

The Group's accounts payable, borrowings, and bonds are exposed to liquidity risk. However, each company of the Group manages the risk by, for example, preparing its cash budget every month.

The Group finances working capital and capital expenditures primarily by using net cash provided by operating activities, and any shortage of funds is covered mainly by borrowings from banks and issuing bonds.

As one of the financing methods, the Group liquidates trade receivables under receivable transfer contracts.

The Group has unused commitment line agreements with highly creditworthy banks. Some bank loan agreements require the Group to maintain a certain level of specific financial ratios and net assets.

(3) Market risk management

① Foreign currency risk management

The Group develops its business on a global scale, and is exposed to risk caused by fluctuations in exchange rates. Foreign currency risk arises from receivables and payables denominated in foreign currencies that are already recognized and forecast transactions such as future purchases and sales.

Based on the natural hedge concept, the Group keeps a balance between receivables and payables in the same currency to hedge the risk in accordance with its basic policy, but enters into forward exchange contracts and currency swap contracts as necessary for some of the receivables and payables and forecast transactions denominated in foreign currencies.

Forward exchange contracts are mainly used to hedge the foreign currency risk on trade receivables and trade payables denominated in foreign currencies. Currency swap contracts, on the other hand, are used to hedge the foreign currency risk on financial liabilities with relatively long repayment terms such as borrowings denominated in foreign currencies.

The Group enters into derivative transactions to the extent corresponding to actual business in accordance with its internal control policy, and does not carry out any speculative transactions. The Group also applies cash flow hedges to some forward exchange contracts and currency swap contracts.

② Interest rate risk management

The Group has borrowings with variable interest rates, and is exposed to interest rate risk. The Group enters into derivative transactions (interest rate swaps) for some of long-term borrowings in order to avoid the risk of variability in interest payments and attempt to fix interest expenses. The Group applies hedge accounting to the interest rate swaps, and adopts cash flow hedges.

③ Share price risk management

The Group holds shares in other companies such as its suppliers and other business partners, and is exposed to the risk of changes in share prices. The primary purpose of such investments is to strengthen and maintain relationships with such companies. The Group regularly reviews the status of shareholdings according to the business relationships with its suppliers and other business partners since shares in such companies are held mainly out of the necessity that arises from business operations such as collaboration with other companies.

2. Fair Value Measurements

The carrying amount and fair value of measuring fair values of financial instruments at the end of the current fiscal year is as follows.

	Carrying amount (millions of yen)	Fair value (millions of yen)
Financial liabilities:		
Bonds	205,000	207,354
Long-term borrowings	289,989	291,460

This table does not include financial instruments measured at fair value and financial instruments whose carrying amount is a reasonable approximation of their fair value.

In addition, fair values of marketable bonds are based on the market price. Fair values of non-marketable bonds and long-term borrowings are calculated by discounting the expected future cash flows to the present value, based on the interest rate that would be used for borrowings with the same remaining maturity and on the same terms and conditions.

Per Share Information

Shareholders' equity per share ¥4,262.24
Basic income per share ¥301.95

Significant Subsequent Events

Not applicable.

Other notes

Major lawsuits

(1)On July 31, 2017, MHI filed a demand for arbitration against Hitachi, Ltd. seeking performance of the obligation to pay approximately ZAR 90,779 million (equivalent to approximately 774.3 billion yen when converted at a rate of 8.53 yen to 1 ZAR) as the price adjustment and other payments (for details, refer to 6. Indemnification Asset for South African Project in Notes to the Consolidated Statement of Financial Position).

(2)In January 2014, Mitsui O.S.K. Lines, Ltd. filed a lawsuit against MHI seeking compensation for damage sustained in a marine accident of a ship constructed by MHI. Then, the insurance company, shipper, joint operator and others also filed a similar lawsuit against MHI. In response, MHI filed a countersuit against Mitsui O.S.K. Lines, Ltd. in March 2016 demanding payment of the contract amount for the work for reinforcing the hull structure of the same type of ship in this case, which was executed at the request of said company, and the lawsuit is currently still be in dispute. MHI believes that the ship has no flaw under the Product Liability Act and MHI has no tort liability, and will assert its legitimacy in this lawsuit.

(3)In October 2017, Korea East-West Power Co., Ltd. (“EWP”) filed a demand for arbitration against MHI and its consolidated subsidiary, Mitsubishi Hitachi Power Systems, Ltd. (“MHPS”), to the Korean Commercial Arbitration Board, seeking compensation for damage in relation to non-operating loss due to a burnout accident that occurred during commissioning period of steam turbine generation facilities. EWP has claimed that this burnout accident was caused by intentional act or gross negligence of MHPS, and MHI and that MHPS shall bear liability for the damage under the contract and the laws of South Korea. With regard to these claims, MHI and MHPS believe that MHPS had neither the intention nor the gross negligence and will assert that the responsibility of MHPS is limited under the contract.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Stockholders' equity										
	Common stock	Capital surplus			Retained earnings						
					Legal reserve	Revenue reserve					Total retained earnings
		Capital reserve	Other capital reserve	Total capital surplus		Reserve for specified business restructuring investment loss	Reserve for reduction in costs of fixed assets	Reserve for accelerated depreciation	Earned surplus brought forward	Total revenue reserve	
Balance as of Apr. 1, 2018	**265,608**	**203,536**	**2,661**	**206,197**	**66,363**	**46,890**	**55,047**	**1,738**	**445,337**	**549,013**	**615,377**
Cumulative effects of changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(12,548)	(12,548)	(12,548)
Restated balance	**265,608**	**203,536**	**2,661**	**206,197**	**66,363**	**46,890**	**55,047**	**1,738**	**432,788**	**536,465**	**602,829**
Changes in the period											
Reversal of reserve for specified business restructuring investment loss						(22,715)			22,715	-	-
Provision of reserve for reduction in costs of fixed assets							22,122		(22,122)	-	-
Reversal of reserve for reduction in costs of fixed assets							(2,686)		2,686	-	-
Reversal of reserve for accelerated depreciation								(445)	445	-	-
Cash dividends									(42,064)	(42,064)	(42,064)
Profit									96,061	96,061	96,061
Purchase of treasury stock											
Disposal of treasury stock			(142)	(142)							
Net changes in items other than stockholders' equity											
Total changes in the period	**-**	**-**	**(142)**	**(142)**	**-**	**(22,715)**	**19,436**	**(445)**	**57,721**	**53,996**	**53,996**
Balance as of March 31, 2019	**265,608**	**203,536**	**2,518**	**206,055**	**66,363**	**24,175**	**74,483**	**1,293**	**490,510**	**590,462**	**656,826**

	Stockholders' equity		Valuation, translation adjustments and others			Share subscription rights	Total net assets
	Treasury stock	Total stockholders equity	Unrealized holding gain (loss) on investment securities	Unrealized gain (loss) from hedging instruments	Total valuation, translation adjustments and others		
Balance as of March 31, 2018	**(2,542)**	**1,084,641**	**79,095**	**(724)**	**78,371**	**1,969**	**1,164,983**
Cumulative effects of changes in accounting policies	-	(12,548)	-	-	-	-	(12,548)
Restated balance	**(2,542)**	**1,072,093**	**79,095**	**(724)**	**78,371**	**1,969**	**1,152,434**
Changes in the period							
Reversal of reserve for specified business restructuring investment loss		-					-
Provision of reserve for reduction in costs of fixed assets		-					-
Reversal of reserve for reduction in costs of fixed assets		-					-
Reversal of reserve for accelerated depreciation		-					-
Cash dividends		(42,064)					(42,064)
Profit		96,061					96,061
Purchase of treasury stock	(16)	(16)					(16)
Disposal of treasury stock	164	21					21
Net changes in items other than stockholders' equity			(6,870)	(1,253)	(8,123)	(182)	(8,306)
Total changes in the period	**148**	**54,002**	**(6,870)**	**(1,253)**	**(8,123)**	**(182)**	**45,696**
Balance as of March 31, 2019	**(2,394)**	**1,126,095**	**72,225**	**(1,977)**	**70,247**	**1,787**	**1,198,131**

Notes to the Non-Consolidated Financial Statements
Significant Accounting Policies

1. Asset valuation standards and methods
   (1) Securities
   Securities of subsidiaries and affiliated companies
   ···Historical cost method (moving average method).
   Other securities
   Other securities with market values
   ···Market value method based on market prices and other fair values at the balance sheet date. (Unrealized holding gains and losses are accounted for as a component of net assets. The cost of sold securities are computed based on the moving average method.)
   Other securities without market values
   ···Historical cost method (moving average method).

   (2) Inventories
   Merchandise and finished products
   ···Historical cost method (moving average method).
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs.)
   Work in process
   ···Historical cost method (specific identification method).
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs.)
   Raw materials and supplies
   ···Historical cost method (moving average method).(*)
   (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs.)

   *Some standardized steel materials for building new ships are stated at cost determined by the specific identification method. (Balance sheet amounts are determined by reflecting a decline in the profitability of the assets through write-downs.)

2. Depreciation methods for fixed assets
   (1) Property, plant and equipment (excluding leased assets)
   The straight-line method is applied.

   (2) Intangible Assets (excluding leased assets)
   The straight-line method is applied.

   (3) Leased Assets
   The straight-line method (where useful lives are equal to the lease terms and residual values are assumed to be zero) is applied.

3. Allowance and provision
   (1) Allowance for doubtful accounts
   An allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the write-off ratio. As for certain receivables such as the ones from the debtors whose solvency is in doubt, the recoverability of each receivable is examined individually and the estimated unrecoverable amounts are recognized as the allowance.

   (2) Provision for construction warranties
   A provision for construction warranties is provided for the expenditure of guarantee work expenses after work is delivered, and is equal to the individually estimated amount of future guarantee expenses.

   (3) Provision for losses on construction contracts
   A provision for losses on construction contracts is provided for the expected total losses to be realized in the following fiscal years on the construction contracts if (i) those losses are judged to

be inevitable at current fiscal year and (ii) reasonable estimation of the amounts of such losses is possible.

With regard to the construction contracts for which this provision is recognized, if the fiscal year-end balances of their work-in-process already exceed their respective total contract revenues, the exceeding portion is recognized as the loss on devaluation of the work-in-process and, accordingly, is not included in the provision for losses on construction contracts.

(4) Provision for business structure improvement

A provision for business structure improvement is provided for the expenses and losses in association with business structure improvement at an amount expected to be incurred.

(5) Provision for losses on disputes

A provision for losses on disputes is provided for possible losses related to litigation, and is equal to the estimated amount of losses to be incurred.

(6) Provision for stock benefits

A provision for stock benefits is provided in relation to the plan to grant stocks of MHI to officers and executive management personnel through a trust. Estimated value of the MHI's stocks corresponding to the Stock Grant Points held by the eligible persons as at the balance sheet date is recognized.

(7) Provision for loss on guarantees

In order to provide for losses due to contingent liabilities such as guarantees for subsidiaries and affiliates and others, MHI records the amount deemed necessary, taking into account the financial position and other factors of the guaranteed parties.

(8) Provision for treatment of PCB waste

A Provision for the treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on the estimated costs of treating PCB products and equipment.

(9) Provision for environmental measures

A provision for environmental measures is provided for the estimated amount of expenditures to be incurred for the purpose of environmental measures in the estimated amount of expenditure incurred.

(10)Provision for retirement allowance

A provision for retirement allowance is provided for employees' retirement benefits. The amounts are based on the balances of retirement benefit obligations and estimated pension fund assets (including a retirement benefit trust) at the end of the fiscal year.

When calculating retirement benefit obligations, the benefit formula basis is mainly used to attribute estimated retirement benefits to the period through the end of the current fiscal year. Past service costs are either expensed as incurred or amortized by the straight-line method over a period shorter than the average remaining service period of employees.

Past service costs are expensed as incurred and actuarial gains and losses for each fiscal year are amortized by the straight-line method, starting in the following fiscal year of incurrence, over the average remaining service period of employees.

If pension assets to be recognized at the end of the current fiscal year exceed the amount that the unrecognized actuarial gains or losses are deducted from the retirement benefit obligations, the excess amount shall be recorded in investments and advances as prepaid pension cost.

4. Recognition of revenue and costs

MHI has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018).

5. Other essential facts in preparing non-consolidated financial statements

Accounting treatment of consumption tax

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of such taxes.

Changes in Accounting Policies

1. Changes in the depreciation method of property, plant and equipment
   Previously, MHI principally applied the declining-balance method of depreciation for property, plant and equipment (except for buildings, excluding the equipment within). Effective from April 1, 2018, MHI adopted the straight-line method for depreciation. MHI have assessed that the straight-line method of depreciation more accurately reflects the way in which economic benefits are derived from MHI's property, plant and equipment given the stability of operating conditions and the efforts made to improve the business structure in recent years. Due to this change, Cost of sales decreased by 7,057 million yen and selling, general and administrative expenses decreased by 1,225 million yen compared with the amounts calculated using the previous method. Consequently, operating income, ordinary income and profit before income taxes each increased by 8,282 million yen.

2. Application of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition"
   MHI has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) from the current fiscal year.
   This standard requires that revenue is recognized at the time when control of the promised goods or services is transferred to the customer, in an amount expected to be received in exchange for the goods or services.
   With regard to the application of the Accounting Standard for Revenue Recognition and the related guidance, the cumulative effects of the retrospective application of the new accounting policy from the beginning of the current fiscal year were added to or deducted from earned surplus brought forward, in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition.
   Consequently, the beginning balance of contract assets, contract liabilities and deferred tax assets for the current fiscal year increased by 155,305 million yen, 408,523 million yen and 5,491 million yen, respectively, and the beginning balance of trade accounts receivable decreased by 156,816 million yen, work in process decreased by 60,961 million yen, other current assets decreased by 3,288 million yen, trade accounts payable decreased by 22,845 million yen, advance payments received on contracts decreased by 430,888 million yen, provision for loss on construction contracts decreased by 2,511 million yen, and earned surplus brought forward decreased by 12,548 million yen.
   Moreover, for the current fiscal year, net sales and cost of sales increased by 4,184 million yen and 3,531 million yen, respectively, and operating income, ordinary income and profit before income taxes each increased by 652 million yen.

Changes in Presentation

(Non-Consolidated Balance Sheet)

1. Change due to the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"
   MHI has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the current fiscal year, and adopted the method where deferred tax assets are presented in the "investments and advances" category and deferred tax liabilities are presented in the "non-current liabilities" category.

2. Change in presentation of provision for construction warranties
   As for the presentation of the provision for construction warranties (previous fiscal year: 19,156 million yen), this provision was previously included in trade accounts payable or accrued expenses on the balance sheet. However, because separate presentation of the provision provides more clarity than presenting it combined with other line items, the provision has been presented separately as provision for construction warranties (current liabilities: 7,737 million yen, non-current liabilities: 9,491 million yen) from the current fiscal year.

3. Change in presentation of provision for environmental measures
   As for the presentation of the provision for environmental measures (previous fiscal year: 7,505

million yen), this provision was previously included in other non-current liabilities on the balance sheet. However, because separate presentation of the provision provides more clarity than presenting it combined with other line items, the provision has been presented separately as provision for environmental measures (non-current liabilities: 7,077 million yen) from the current fiscal year.

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation

Accumulated depreciation of property, plant and equipment	¥	1,130,527 million

2. Contingent liabilities

Guarantee obligations on such debts as borrowings from financial institutions

Mitsubishi Heavy Industries Aero Engines, Ltd.	¥	20,000 million
Employees (Residence fund loan, etc.)	¥	12,397 million
Japanese Aero Engines Corporation	¥	5,271 million
Mitsubishi Nuclear Fuel Co., Ltd.	¥	4,200 million
Others	¥	14,422 million
Total	¥	56,292 million

3. Monetary receivables from / payables to subsidiaries and affiliated companies

(Excluding accounts which are stated as such in Balance Sheet)

Short-term monetary receivables	¥	73,129 million
Long-term monetary receivables	¥	17,148 million
Short-term monetary payables	¥	650,202 million
Long-term monetary payables	¥	3 million

4. Contingent liabilities relating to change in MRJ delivery timing

MHI announced in January 2017 that the scheduled delivery timing of the first Mitsubishi Regional Jet (MRJ) would be changed from mid-2018 to mid-2020, and has continued consultations on the delivery timing with existing customers.

Going forward, it is possible that additional liabilities will arise depending on the results of consultations with customers on the timing for the delivery of MRJ and other factors, and this could impact the future financial position and operating results.

5. Others

On February 1, 2014 (hereinafter referred to as the “Effective Date of Company Split”), MHI and Hitachi, Ltd. (“Hitachi”) integrated their businesses centered on thermal power generation systems into Mitsubishi Hitachi Power Systems, Ltd. (“MHPS”), a consolidated subsidiary of MHI, through a spin-off in the form of an absorption-type company split.

As part of this business integration, the assets and liabilities, contracts with customers and others, and rights and obligations thereunder, regarding the boiler construction projects for Medupi and Kusile Power Stations (the “South African Projects”), for which Hitachi Power Africa Proprietary Limited (“HPA”), a consolidated subsidiary of Hitachi in the Republic of South Africa, and other companies received orders in 2007, were transferred (the “South African Asset Transfer”) from HPA to Mitsubishi Hitachi Power Systems Africa Proprietary Limited (“MHPS-Africa”), a consolidated subsidiary of MHI.

At the time the contract for the South African Asset Transfer was concluded, MHI was aware that major losses were probable and asserted this to Hitachi. Therefore, it was agreed in the contract that Hitachi and HPA would be responsible for contingent liabilities arising from events that occurred prior to the Effective Date of Company Split as well as for any claims that had already accrued as of said date, while MHPS and MHPS-Africa would be responsible for the execution of the projects on and after the Effective Date of Company Split. On that basis, it was also agreed in the contract to first retrospectively refine the project schedule and the cash flow estimates, as of the Effective Date of Company Split, then to determine the definitive price of the South African Asset Transfer based on them, and then to adjust the difference between the tentative price and the definitive price.

On March 31, 2016, MHI demanded that Hitachi pay ZAR 48,200 million (equivalent to approximately 379.0 billion yen when converted at a rate of 7.87 yen to 1 ZAR) to MHPS-Africa as part of the difference between the tentative price and the definitive price (price adjustment and other payments) according to the contract (the “Part of Demands for Payment on March 2016”). In the

Part of Demands for Payment on March 2016, MHI explicitly stated to Hitachi that the amount that Hitachi and HPA were obliged to pay under the contract for the South African Asset Transfer significantly exceeded ZAR 48,200 million and that MHI reserved the right to make additional demands.

Then, on January 31, 2017, MHI demanded that Hitachi pay ZAR 89,700 million (equivalent to approximately 763.4 billion yen when converted at a rate of 8.51 yen to 1 ZAR) as the price adjustment and other payments (the "Demands for Payment on January 2017"), which included the aforementioned Part of Demands for Payment on March 2016. In the Demands for Payment on January 2017, MHI retrospectively refined the project schedule and the cash flow estimates, as of the Effective Date of Company Split in accordance with the contract for the South African Asset Transfer, and thereby demonstrated that the amount that Hitachi and HPA were obliged to pay significantly exceeded ZAR 48,200 million as stated in the Part of Demands for Payment on March 2016.

However, given that MHI and Hitachi had been unable to reach agreement as of July 31, 2017, MHI decided that it had become necessary to submit a request for arbitration to the Japan Commercial Arbitration Association as stated in the above contract, and submitted a request for arbitration which states demands against Hitachi for the payment of ZAR 90,779 million (equivalent to approximately 774.3 billion yen when converted at a rate of 8.53 yen to 1 ZAR) as the price adjustment and other payments relating to the South African Projects.

Given that it was already expected as at the Effective Date of Company Split that the South African Projects would incur a loss, MHPS-Africa etc. have the right to receive the price adjustment and other payments from Hitachi or HPA in the amount calculated under the above contract. Furthermore, there is a discrepancy between the amount of anticipated losses included in the assets and liabilities regarding HPA's South African Asset Transfer immediately before the Effective Date of Company Split (January 31, 2014) and the amount of the losses that MHI believes were already expected at the time. Presently, there is yet to be agreed on the assets and liabilities.

At the end of the fiscal year under review, MHI has extended loans of 410 billion yen to MHPS-Africa.

Notes to the Non-Consolidated Statement of Income

1. Transactions with subsidiaries and affiliated companies

Sales	¥ 205,547 million
Purchases	¥ 199,583 million
Transactions other than operating transactions	¥ 34,881 million

2. Loss on revaluation of investment securities

Loss on revaluation of investment securities includes loss on revaluation of investments in shares of subsidiaries and affiliates of 129,690 million yen.

3. Business structure improvement expenses

Business structure improvement expenses are comprised of business reorganization expenses relating to asset business.

Notes to the Non-Consolidated Statement of Changes in Net Assets

The number of treasury stock

Common stock	801,903 shares

Notes on Tax Effect Accounting

Deferred tax assets are principally caused by temporary differences with shares of subsidiaries and affiliates arising from restructuring. Deferred tax liabilities are principally caused by reserve for reduction in costs of fixed assets.

Notes on Business Combinations

MHI conducted the following merger with Ryoju Facility and Properties Co., Ltd. ("Ryoju F&P"), a fully owned subsidiary of MHI by an absorption-type merger agreement .

1. Purpose of the merger

While Ryoju F&P transfers relevant assets and liabilities through a company split-up of its plant and facility management business to MHI Facility Service Co., Ltd., which is also a fully owned subsidiary of MHI, as of July 1, 2018, assets (company residence and dormitory, leasehold properties and others) and liabilities left in Ryoju F&P will be merged into MHI.

2. Partner company in the merger and legal form thereof

This is an absorption-type merger with MHI as the surviving company, and Ryoju F&P, the merger partner, will be dissolved.

3. Allotment regarding the merger

Since this is a merger with MHI's fully owned subsidiary, share allotment and delivery of other consideration due to the merger will not be conducted.

4. Name and business of the partner company in the merger

Name: Ryoju Facility and Properties Co., Ltd.
Business: Maintenance and management of facilities, etc. incidental to buildings for construction work and welfare facilities, etc. and others

5. Date of the merger

July 1, 2018

6. Other

In conjunction with the Merger, "Gain on extinguishment of tie-in shares" of 77.3 billion yen is recorded as "Extraordinary gain" in the current fiscal year.

Notes on revenue recognition

MHI engages in sale of products as well as the execution of construction works and rendering of services.

・Sale of products

Performance obligations are principally considered to be satisfied at the time of delivery of the goods over which customers obtain control, and usually recognized at the time of delivery of goods.

・Execution of construction works and rendering of services

Since control of goods or services promised in the contracts is transferred to customers over the contract term, revenue is recognized based on progress toward complete satisfaction of the performance obligation. Progress is measured using a method that depicts satisfaction of the performance obligation, and principally estimated based on the proportion of costs incurred to fulfill the performance obligation over a certain period of time against the expected total costs for satisfying the performance obligation.

Related Party Transactions

Category	Name	Percentage of Voting Rights held by the Issuer	Relation with the Related Parties	Contents of the Transactions	Transaction Amounts	Account	Ending Balance
Subsidiary	Mitsubishi Aircraft Corporation	Direct 86.99%	Manufacturing of MRJ Some officers of MHI concurrently serve as officers of the related party	Additional investment (*1) loans receivable (*2) Collection of funds	¥ 170,000 million ¥ 65,000 million ¥ 160,000 million	Long-term receivables etc.	¥54,170 Million ¥348,000 million
Subsidiary	Mitsubishi Hitachi Power Systems Africa(Pty) Ltd.	Indirect 75.0%	Fund loans	loans receivable (*2)	¥ 80,000 million	Long-term loans receivable	¥410,000 million

Terms and conditions of the transaction and the policy for determining terms and conditions

*1. In the current fiscal year, reversal of allowance for doubtful accounts of 60,046 million yen was recorded.

*2. The interest rate on loans is determined taking market interest rates into account.

Per Share Information

Book value per share	¥3,563.57
Net income per share	¥ 286.18

Significant Subsequent Events

Not applicable.

Other notes

Major lawsuits

(1) On July 31, 2017, MHI filed a demand for arbitration against Hitachi, Ltd. seeking performance of the obligation to pay approximately ZAR 90,779 million (equivalent to approximately 774.3 billion yen when converted at a rate of 8.53 yen to 1 ZAR) as the price adjustment and other payments (for details, refer to 5. Others in Notes to the Non-Consolidated Balance Sheet).

(2)In January 2014, Mitsui O.S.K. Lines, Ltd. filed a lawsuit against MHI seeking compensation for damage sustained in a marine accident of a ship constructed by MHI. Then, the insurance company, shipper, joint operator and others also filed a similar lawsuit against MHI. In response, MHI filed a countersuit against Mitsui O.S.K. Lines, Ltd. in March 2016 demanding payment of the contract amount for the work for reinforcing the hull structure of the same type of ship in this case, which was executed at the request of said company, and the lawsuit is currently still be in dispute. MHI believes that the ship has no flaw under the Product Liability Act and MHI has no tort liability, and will assert its legitimacy in this lawsuit.

(End)